



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Release Number: **201649016**
Release Date: 12/2/2016

Date:
September 9, 2016
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.03-30, 501.31-00

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

Because you don't qualify as a tax-exempt organization under Section 501(c)(3) of the Code, donors can't deduct contributions to you under Section 170 of the Code. You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

We'll also notify the appropriate state officials of our determination by sending them a copy of this final letter and the proposed determination letter (under Section 6104(c) of the Code). You should contact your state officials if you have questions about how this determination will affect your state responsibilities and requirements.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4036, *Proposed Adverse Determination Under IRC Section 501(c)(3)*

Redacted Letter 4038, *Final Adverse Determination Under IRC Section 501(c)(3) - No Protest*



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Date:
July 21, 2016
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = Date
y dollars = Amount

UIL:
501.03-30
501.31-00

Dear :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(3) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under section 501(c)(3) of the Code? No, for the reasons stated below.

Facts

You applied for exemption from federal income tax as an organization described under IRC 501(c)(3) of the Internal Revenue Code on X. A copy of your organizing document and a narrative description of activities were not provided with your Form 1023 application. Your initial Form 1023 application identified your organizational structure as both an association and a trust. We requested additional information and a copy of your organizing document in two separate information requests. You submitted an amended Form 1023 that indicates you are not organized as a trust, unincorporated association or corporation.

You provided additional information regarding your activities that were described as follows: "Word of mouth and future APP to be developed. Funding grants for tuitions in studies of finance and economic studies (e.g. Investment banking) for college students." "Percentage of time on fund raising activities such as business cards and advertisement, six days a week." You also submitted a proposed budget that reported y dollars in expenses to develop and manage an APP.

Your original Form 1023 application reported you have one board member identified as the officer, director and trustee. The amended Form 1023 did not list any board members, but included the signature of the same person identified as an officer, director and trustee.

Law

Section 501(c)(3) of the Code provides for exemption from federal income tax of organizations organized and operated exclusively for educational or charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that in order to qualify under Section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose, either by an express provision in its governing instrument or by operation of law.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states that an organization will be regarded as “operated exclusively” for one or more exempt purposes only if it engages primarily in activities which accomplish one or more such exempt purposes specified in Section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(c)(2) provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals as defined in Section 1.501(a)-1(c).

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Rev. Proc. 2016-5, 2016-1 I.R.B. 188, in section 4.03 provides that exempt status will be recognized in advance of operations if proposed operations can be described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements of the section under which exemption is claimed. A mere restatement of purposes or a statement that proposed activities will be in furtherance of such purposes will not satisfy this requirement. The organization must fully describe the activities in which it expects to engage, including the standards, criteria, procedures or other means adopted or planned for carrying out the activities, the anticipated sources of receipts, and the nature of contemplated expenditures. Where the organization cannot demonstrate to the satisfaction of the Service that it qualifies for exemption pursuant to the section of the Internal Revenue Code under which exemption is claimed, the Service will generally issue a proposed adverse determination letter or ruling

In United States v. Wells Fargo Bank, 485 U.S. 351, 108 S. Ct. 1179, 99 L. Ed. 2d 368 (1960), the Supreme Court held that an organization must prove unambiguously that it qualifies for a tax exemption.

In Bubbling Well Church of Universal Love, Inc. v. Commissioner, 74 T.C. 531 (1980), an action for declaratory judgment pursuant to Section 7428(a), the Tax Court considered an adverse ruling by the IRS on an application for exempt status as a church. The applicant had declined to furnish some information, and made answers to other inquiries that were vague and uninformative. On the basis of the record, the Court held that the

applicant had not shown that no part of its net earnings inures to the benefit of the family or that petitioner was not operated for private benefit.

In Peoples Prize v. Commissioner, T.C. Memo 2004-12 (2004), the court upheld the Service's determination that an organization failed to establish exemption when the organization failed to provide requested information. The court stated "[Applicant] has, for the most part, provided only generalizations in response to repeated requests by [the Service] for more detail on prospective activities Such generalizations do not satisfy us that [applicant] qualifies for the exemption."

Application of law

You are not as described in Section 501(c)(3) of the Code and Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you did not show that you satisfy the organizational and operational requirements of the Code and Regulations.

You failed to show that you meet Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and Treas. Reg. Section 1.501(c)(3)-1(b)(4) because you did not provide an organizing document indicating you have the required provisions to meet the organizational test for exemption under Section 501(c)(3) of the Code.

You failed to show that you are operating exclusively for one or more exempt purposes as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your description of activities and proposed s do not demonstrate you are operating exclusively for exempt purposes required for exemption under Section 501(c)(3) of the Code.

You failed to show that you meet Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). For example, developing and maintaining an APP does not demonstrate you are serving a public rather than a private interest.

Although some of your activities may accomplish exempt purposes, you did not provide sufficient information about your activities to permit us to determine whether they will advance these purposes as required by Rev. Proc. 2016-5, Section 4.03. You have not proven unambiguously that you qualify for a tax exemption, as in United States v. Wells Fargo Bank, supra. Likewise, as in the above-cited case of Bubbling Well Church, you have given inconsistent vague answers. The responses you provided did not include the details required to establish exemption under Section 501(c)(3) of the Code, as described in Peoples Prize v. Commissioner, supra. As in Bubbling Well Church, your application for tax-exempt status calls for open and candid disclosure of all facts bearing upon your operations and finances to assure that there is not abuse of the revenue laws. As that disclosure has not been made, the logical inference is that the facts, if disclosed, would show that your fail to meet the requirements of Section 501(c)(3).

Your position

Your amended Form 1023 indicates that you are not a corporation, unincorporated association or a trust. Furthermore, the amended application states you will fund grants for tuition and develop an APP.

Our response to your position

The amended Form 1023 does not substantiate that you are organized and operated to meet tax exemption under Section 501(c)(3) of the Code. You have not provided sufficient information about how you propose to conduct your activities to permit us to determine whether they will advance exempt purposes as required by Rev. Proc. 2016-5, Section 4.03.

Conclusion

You have not established that you are organized or operated exclusively for exempt purposes within the meaning of Section 501(c)(3) of the Code. Furthermore, you have failed to establish that your activities further a public charitable purpose rather than the promotion of private interests. Therefore, you are not described in Section 501(c)(3) of the Code.

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892